

OPENING STATEMENT

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Before

U.S. House of Representatives

Subcommittee on Aviation,
Committee on Transportation and Infrastructure

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STATEMENT OF BRYAN MOSS

Mr. Chairman, members of this distinguished Subcommittee on Aviation, on behalf of Gulfstream Aerospace Corporation's more than 7,000 dedicated employees; it is a distinct honor for me to appear before you today.

As most of you know, our company is a leading United States based manufacturer of mid and large-size cabin business jet aircraft. We are a General Dynamics company and have been exclusively in the business of manufacturing and servicing business jet aircraft for more than 47 years.

At the outset of this testimony I wish to extend on behalf of my company and the general aviation industry deep appreciation for all that this subcommittee has done, and continues to do, to help the industry remain competitive under diverse, and often challenging, market conditions. We are halfway through the 4 year FAA Reauthorization Bill.

This Bill, which falls directly under the subcommittee's purview, has provided the basic foundation and operational guidelines responsible for the health and vitality of the industry today. We thank you for your

leadership. Additionally, I would be totally remiss if I didn't thank you for your early recognition and support for the important role that bonus depreciation ultimately played in assisting our industry cope with the declining market condition following the 9/11 tragedy.

Congressional passage of the President's Jobs Creation Act of 2003, in late May of that year, with bonus depreciation as an integral part of the law, provided a huge stimulus to increased sales which put the industry on the comeback trail.

The Congress' timely action in extending the

bonus depreciation provisions for an additional year ensured the recovery had endurance.

FAA CERTIFICATION

As we move forward to today, and looking at matters from a competitive prospective, I must tell you that a couple of industry issues before the subcommittee give us cause for concern.

We respectfully ask that you take a serious look at the FAA in the area of certification services.

The FAA has proposed reduced manning levels for certification services which, if implemented, would provide a severe economic hindrance to our company's ability to bring new products into

service. Additionally, these delays would directly inhibit our ability to remain competitive in the challenging marketplace previously referenced. At this time of proposed reductions in U.S. certification services, the European Union has enhanced its thrust in this area with the establishment of the European Aviation Safety Agency (EASA) and a robust operating budget. I've spoken with many of you on this issue and would welcome any dialogue you might wish to have today, or in subsequent meetings.

USER FEES

Another concern I have regarding our industry's well being is the issue of user fees for aviation services. While the FAA Reauthorization Bill and the Airport and Airway Trust Fund (AATF) excise taxes do not expire until September 30, 2007, discussion is already underway on how the next reauthorization should proceed. These discussions center on the issues surrounding aviation excise taxes, the FAA's budget, and the declining general fund contribution to the FAA. Let me say clearly that we are supportive of the current aviation excise tax on aviation fuel as the

means for our industry to contribute to the AATF. We are not, however, supportive of increased user fees and excise taxes to make up for the shortfall created by a declining general fund contribution. The aviation industry cannot bear the total burden of the funding disparity and remain healthy. Please take a serious look at this issue as discussion and debate proceed towards a resolution.

NASA Aeronautics Research Funding

Another area that I bring to your attention extends beyond the immediate scope of this subcommittee, but it is one that has wide spread

implications to the aviation industry as a whole. It involves NASA's Aeronautics Research and Development activities. I believe it is extremely important that our Nation understand and recognize the significant contributions that aeronautics research has made to the United States' leadership in aviation. This leadership is being lost. The Aeronautics research budget has been decreased by more than 50% since 1994 while recently the "Advisory Council for Aeronautics Research in Europe" has called for a 70% increase in spending over the next twenty years. It is my firm contention that this

leadership loss will have far reaching impact on national security, the well-being of our economy, aviation safety, and our industrial competitiveness. I appreciate the opportunity to bring these serious concerns to your attention.

SUBSIDIES AND OTHER CONSIDERATIONS

Lastly, I would like to take a moment to address our concern regarding government subsidies to foreign aircraft manufacturers. As a domestic U.S. aircraft manufacturer, we see increasing pressure from foreign aircraft entering the business jet market. These new entrants fall into categories of business jet unique and

regional jet (RJ) conversions. The same financial calculus that applies to large commercial aircraft applies to business jets. Simply stated, government subsidy manifested in development loans, with low or no pay back, and production start up loans with similar terms, results in severe competitive disadvantage. Specifically, market risk is significantly diminished for the government subsidized manufacturer. New aircraft are being introduced with little to no debt assumption and aggressive pricing is prevalent without regard to return on investment. Private and publicly held

companies, relying on profits and borrowing abilities, cannot compete with National treasuries.

CONCLUSION

Mr. Chairman, the time is upon us to consider extending the application of a new Bilateral Agreement on large civil aircraft to include all aircraft.